Merchant Onboarding: Striking a Balance Between Speed and Risk Tolerance

Today’s merchants have high expectations of acquirers, including low costs, personalized service and an efficient onboarding process.

A modern merchant onboarding solution allows acquirers to:

• Grow in new, higher-risk markets or merchant segments
• Deliver a fast, frictionless and digital-centric onboarding experience
• Quickly adjust onboarding workflows, decisioning logic and risk models without IT
• Automate routine administrative tasks

In order to satisfy merchants’ expectations while growing share in a consolidating industry, merchant acquirers are turning to technology to balance onboarding speed and risk tolerance. To reach this balance, acquirers need a consistent, rules-based approach using automation and predictive analytics.

Some merchant acquirers have taken an aggressive approach to gaining market share, prioritizing onboarding speed over risk tolerance. While this has been effective at growing share, taking on substantial risk has also resulted in negative impacts to profitability. Moving the onboarding process from three to five days to three to five minutes has resulted in growth from an entirely new segment of micro merchants who are now capable of processing credit transactions. This acceleration was enabled by automating the onboarding process and reducing the amount of up-front data collected to evaluate and approve a merchant.

While approval speed has improved and costs have been reduced through fewer manual application reviews, a less robust qualification process has the potential to expose merchant acquirers to significant risk if not managed effectively.
In order to balance speed with appropriate levels of risk tolerance, it is imperative that acquirers take a strategic approach to merchant onboarding. Using a three-step approach to merchant onboarding ensures organizations can collect the right data, satisfy customer expectations for speed and optimize their market growth plan:

1. **Gather the correct data and analytics:**
   - Capture only the actionable and objective data required to make an onboarding decision. To do so, it is key to eliminate manual data entry and subjective decision-making.

2. **Automate as much of the underwriting as possible:**
   - Minimizing human interventions will help ensure more consistent decisions while increasing speed and reducing overhead.

3. **Optimize variables and rules:**
   - Using a customized solution that leverages advanced analytics delivers continued learning to improve decisions and efficiency while enabling business users to intervene or override decisions where necessary.

Choosing the right partner is an essential first step for operationalizing a merchant onboarding plan balanced between speed and risk tolerance. FICO® Merchant Onboarding Solution uses a combination of analytics and decision rules to automate the complex, lengthy process of bringing new merchants onto payment platforms and streamlines daily operations, resulting in cost savings and efficiency improvements for merchant acquirers. The solution is purpose-built to drive greater profitability while adapting to the nuances of any merchant acquirer:

- **A Faster, More Streamlined, More Consistent Merchant Onboarding Experience**
  - Deliver fully automated approval decisions, followed (where necessary) by more in-depth risk evaluation using customized and configurable decision rules, resulting in more consistent decisions.

- **Efficient Integration**
  - Achieve a faster time to revenue and a seamless merchant onboarding experience from open source APIs that integrate with virtually any existing data source and have the flexibility to adapt to new data sources as acquisition strategies shift.

**Business User Visibility, Agility and Adaptability**

- Business users can use pre-built interfaces to visualize data and rapidly adapt to market changes, new business strategies, shifting compliance requirements and emerging fraud threats without relying on IT.

**Better Risk Evaluation**

- Leverage FICO’s history of fraud protection to help identify and investigate potential fraud cases while pursuing a more aggressive merchant acquisition strategy in higher-risk segments. Using scorecard-based risk profiling and user-defined frequency, organizations can adapt unique rules for setting up and reevaluating existing merchant accounts.

**Single, Extensible Platform**

- FICO’s robust solution platform offers significant benefits, including:
  - Seamlessly incorporating other FICO capabilities relevant to merchant acquirers, including channel communication, fraud detection and account management.
  - Centralizing workflows essential for process and decision consistency and expansion across verticals, product lines and regions.
FICO® Merchant Onboarding Solution has delivered breakthrough results in some of the industry’s most respected organizations:

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<th>Vantiv</th>
<th>Wirecard</th>
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<tr>
<td><strong>Challenge:</strong></td>
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<td>• Needed a way to speed its merchant onboarding process, which was being done manually and could take up to nine days</td>
<td>• Manage the end-to-end process of capturing, underwriting and finalizing an application, including all workflow and systems/data integration</td>
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<td><strong>Results:</strong></td>
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<td>• Cut onboarding time from days to minutes</td>
<td>• Simplified application development</td>
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<td>• Reduced manual reviews by 60%</td>
<td>• Centralized storage for workflows, merchant agreements and supporting documentation</td>
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<td>• Expedited integration, delivering the solution within 4½ months from contract signing</td>
<td>• Eased integration with third parties, resulting in increased partnerships</td>
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<td>• Enabled rapid growth and new partnerships with sales organizations and merchant banks</td>
<td>• Provided business users with clearer reporting with simplified dashboards, resulting in enhanced alignment between risk tolerance and business strategy</td>
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